

EXHIBIT 13

Puerto Rico

Rosselló Says Energy Reform Will Bring Down Costs, Defends PREPA Board Shakeup

Tue 02/14/2017 18:05 PM

Gov. Ricardo Rosselló reiterated today that his administration will press ahead with an “energy reform,” aimed at renovating the island’s antiquated electrical infrastructure, that will result in the production of cheaper and cleaner energy over the long term. The governor also defended moves to revamp the [Puerto Rico Electric Power Authority board of directors](#) and to pay [Education Secretary Julia Keleher](#) through a contract rather than a typical salary. He also discussed his administration’s plans to begin codifying and measuring the effectiveness of the various incentives the government extends to different economic sectors.

The governor said that “everything is on the table” regarding the proposed PREPA restructuring after the recent announcement that the restructuring support agreement has been extended to give the opportunity for the government to evaluate its terms. Rosselló emphasized that a priority will be lowering the cost of electricity on a permanent basis in Puerto Rico. His governing platform emphasizes the use of public-private partnerships to develop critical energy infrastructure such as new power plants.

“Certainly, the cost of energy is an obstacle for an economy, particularly small and medium-sized businesses,” the governor said during an afternoon press conference. “Far from just looking for some short-term measures that provide some Band-Aids, we are looking at structural changes and to renovate the infrastructure. Some of these projects will take time, but the end result will be cleaner and cheaper energy for this sector and all of Puerto Rico.”

The governor said that changing the composition of the PREPA board is necessary to ensure that the administration’s new energy policy will be implemented. Current PREPA director Javier Quintana and board chairman Luis Benítez both testified against the board changes and the elimination of salaries of board members. They said the changes were made to meet “professionalization requirements” stipulated in the RSA and to limit the political influence of the board. However, the governor said the most important consideration is to ensure that the board carries out the administration policy. “That the members are not partisan political figures, that is not the first criteria of this administration,” Rossello said. “The criteria is if they well effectuate the public policy of this administration. With all of these entities ... the governor and the executive branch have to feel confidence that both the boards and the executive directors will execute the strategy and the public policy of the administration.”

The governor said this is particularly important given the PROMESA oversight board’s authority over island finances and the need for all government entities to comply with a long-term fiscal plan being drawn up.

“We ran on a platform, the people of Puerto Rico validated it, and the PROMESA oversight board expects all of these entities to comply with the fiscal plan,” the governor said, adding that he will use the power conferred to him by [the Law to Attend the Economic, Fiscal and Budget Crisis and Guarantee the Functioning of the Puerto Rico Government](#) to replace public corporation board members and government officials who are not attuned to the administration’s public policy.

The governor also criticized the salaries of the new PREPA board members – which range from \$60,000 to \$75,000 – given the island’s fiscal crisis, and said that they have “already shown that their public policy is different than what we have proposed. Increasing the rate of up to 55% over a period of four years is against everything we want to do.”

The governor also criticized the decision of PREPA to invest \$40 million in contracting Lisa Donahue and AlixPartners to restructure PREPA debt and draw up and operational turnaround plan, which he

said delivered “mixed results in terms of where we have arrived.”

The governor also defended paying Education Secretary Keleher through a contract with the Fiscal Agency and Financial Advisory Authority, rather than a more typical salary. The governor said called Keleher “a great resource I support 100%” and justified the arrangement by saying she was leading efforts to “restructure and reengineer” the Education Department as well as directing the agency. Keleher used to receive \$250,000 through a contract to provide just a portion of the services she is offering now and is being contracted at the rate of \$125,000 annually.

Rosselló said that Keleher has the capacity to undertake both vital roles and is involved in drawing up a fiscal plan for the sprawling Education Department, which the governor says encompasses nearly one-third of the commonwealth budget. He pointed to other functionaries in his administration performing more than one role, such as Government Development Bank President Christian Sobrino Vega, who also serves as a financial advisor to the governor. Rosselló also said that the Justice Department has issued a favorable evaluation of the contract and said Keleher is still bound by government ethics rules like any public official.

He compared the contraction of Keleher with PREPA’s Donahue contract, saying it represents “tens of millions of dollars in savings.”

The governor spoke during a press conference launching Puerto Rico Emprende, a platform established by the Department of Commerce and Exportation that details opportunities and incentives for local small and medium-sized businesses. The administration has certified about 60 businesses, mostly startups, under the program, which orients businesses about an array of existing incentives including salary reimbursements, preferential tax rates, exemption from municipal taxes and expedited permitting.

The governor said that an “incentives code” is being drawn up by his administration, which will collect all existing incentives in a single place and evaluate whether they are producing benefits. He said that the government has never measured the benefits of the numerous incentives it has provided over the years, and said the breadth of existing incentives makes their mere codification a big task.

Rosselló said every incentive would have to be “justified” in order to make it into the code, and then would be subject to a rigorous evaluation process that is being drawn up that will determine the “return on investment.”

“Any contribution that the people of Puerto Rico make through their government has to have a greater return,” the governor said.

The governor said that given the “pile incentives” that Puerto Rico offers and its economic performance, there are many incentives that are not doing the job. He also said that many incentives are beneficial, pointing to some that have been deployed successfully in the tourism area. He said measuring the effectiveness of incentives will also enable the government to better direct its investment.

In Dec. 20, 2016, [letter](#) to Rosselló and his predecessor, the PROMESA oversight board indicated that economic growth is critical to address Puerto Rico’s crisis and that the strategy of doling out incentives has not been a sustainable solution. “For decades, Puerto Rico has focused on attracting investment from outside the Island by providing incentives targeted at specific industries. While the model worked to spark different industries, it did not address the fundamental structural problems that have been building within the Puerto Rican economy and are impeding growth,” the board wrote.

